

## **Summary of Express Terms**

The proposal would amend various provisions of Part 765 of Title 10 NYCRR to implement recently enacted legislation.

Section 765-1.2. Applications for licensure. This section will be amended to require applications for licensure as a Licensed Home Care Service Agency (LHCSA) to include information on the public need for additional LHCSAs and the financial resources of the proposed agency as required by law, in addition to the existing requirement of a character and competence review. Amendments would specify that applications for licensure based on change of ownership for LHCSAs actively serving at least 25 patients shall only be evaluated based on financial feasibility and the character and competence of the proposed operator.

Section 765-1.3. Requirements for approval. This section will be amended to require applicants for licensure as a LHCSA to satisfactorily demonstrate to the Public Health and Health Planning Council (PHHPC) the public need for the agency and the financial resources of the agency in order to be approved for licensure, in addition to the existing requirement of a character and competence review.

Section 765-1.4. Amendments to applications. This section will be amended to add to the list of actions that constitute an amendment to a pending application for licensure for a home care services agency, requiring review and approval by PHHPC. The proposal will require that any significant change to the proposed patient capacity, any change in the agency's proposed service area, and any significant change to the agency's proposed annual operating budget will constitute an amendment and require approval by PHHPC, in addition to the existing language stating that changes to services and changes in the principles of the applicant as considered by PHHPC are

amendments. A new section will be added specifying that failure to disclose this information prior to the issuance of a license shall be grounds for revocation, limitation, or annulment of the approval for licensure. This is consistent with the approval processes for other types of home care agencies including certified home health agencies and hospices.

This proposal would also add a new section 765-1.16, Determinations of public need, to detail the public need methodology to be used to implement recent statutory changes. Subdivisions of this new section will include planning area designations, determination of public need, public need exemption criteria and additional requirements for applications seeking PHHPC approval, and priority considerations for the Department.

The regulations will affect all agencies applying for licensure as a home care services agency or for changes of ownership on or after April 1, 2020.

Pursuant to the authority vested in the Public Health and Health Planning Council and the Commissioner of Health by section 3612 of the Public Health Law, Subpart 765-1 of Title 10 (Health) of the Official Compilation of Codes, Rules and Regulations of the State of New York is amended, to be effective on April 1, 2020.

Section 765-1.2 is amended to read as follows:

765-1.2 Applications for licensure. (a) An application to the Public Health and Health Planning Council for its approval, as required by law, shall be in writing on application forms provided by the department and subscribed by the chief executive officer duly authorized by the board of a corporate applicant, a general partner or proprietor of the proposed licensed home care service agency, or, where an application is to be submitted by a governmental subdivision as the applicant, the president or chairman of the board of the proposed agency or the chief executive officer if there is no board; and accompanied by a certified copy of a resolution of the board of a corporate applicant authorizing the undertaking which is the subject of the application, and the subscribing and submission thereof by an appropriate designated individual. In the event that an application is to be submitted by an entity which necessarily remains to be legally incorporated, it shall be subscribed and submitted by one of the proposed principal stockholders or directors. If a local government applicant submitting an application has not designated a president, chairman or chief executive officer for the proposed agency, the application shall be subscribed by the chairman or president of the local legislature or board of supervisors having jurisdiction, or another appropriate executive officer. If available, the application must be electronically submitted to the Department of Health in a form designated by the commissioner. In the absence of an electronic system, an original application and five copies thereof shall be prepared and filed

with the Public Health and Health Planning Council through the project management unit in the department's central office in Albany [, which shall transmit one copy to the health systems agency having jurisdiction].

(b) Applications to the council shall contain information and data as applicable with reference to:

(1) the public need for the existence of the licensed home care service agency or proposed agency at the time and place and under the circumstances proposed as outlined in Section 765-1.16 of this Title;

(2) the character, experience, competence and standing in the community of the proposed persons, incorporators, directors, controlling persons, officers, principal stockholders, sponsors, governmental subdivisions, individual operators or partners of the applicant or of any parent or health-related subsidiary corporation as applicable. The application shall include copies of personal qualifying and disclosure information, as appropriate, as may be required by the council with regard to any such individual or organization[.];

[(1)] (i) Disclosure information shall include, but not be limited to, a list of health care, adult care or mental health facilities, programs or agencies controlled or operated in the United States by an individual or organization specified in this subdivision; the name and address of each such facility, program or agency; and the dates of control or operation of each such facility, program or agency.

[(2)] (ii) In the event that any such health care, adult care or mental health facility, program or agency, while under the control or operation of an individual or organization specified in this subdivision, has been subjected to financial penalties, or suspension or revocation of its operating certificate, license or certification because of a failure to comply with provisions governing the conduct and operation of the facility, program or agency, then information must be

provided which describes the nature of the violation, the agency or body enforcing the violation (including its name and mailing address), the steps taken by the facility, program or agency to remedy the violation or violations, and an indication of whether the suspension, revocation or accreditation has since been restored.

(3) the financial resources of the proposed licensed home care service agency and its projections of revenues and expenses. The standards of this review will require, at a minimum:

(i) an examination of the sources of available working capital that the proposed licensed home care services agency operators have, with a minimum requirement equal to at least two months of estimated operating expenses of the agency;

(ii) that the application passes a reasonableness test with respect to the financial capability of the agency or sources for start-up funding; and

(iii) an examination of the financial feasibility of the agency or projections indicating that the agency's operating revenues will be equal to or greater than projected expenditures over time.

(4) any other information that the commissioner shall deem pertinent for inclusion in the application.

(c) The following documents shall be filed as attachments to the application: (1) where the applicant will be operating the licensed home care service agency under an assumed name, a photocopy of the applicant's existing or executed proposed certificate of doing business;

(2) where the applicant is a partnership, full and true copies of all partnership agreements, which shall include the following language:

"By signing this agreement, each member of the partnership created by the terms of this agreement acknowledges that the partnership and each member thereof has a duty to report to the New York State Department of Health any proposed changes in the membership of the

partnership. The partners also acknowledge that the prior written approval of the Public Health and Health Planning Council is necessary for such change before such change is made, except that a change resulting from an emergency caused by the severe illness, incompetency or death of a member of the partnership shall require immediate notification to the New York State Department of Health of such fact, and application shall be made for the approval by the Public Health and Health Planning Council of such change within 30 days of the commencement of such emergency. The partners also acknowledge that they shall be individually and severally liable for failure to make the aforementioned reports and/or applications."

(3) where the applicant or licensed operator has or proposes to have a controlling person or a parent corporation, or is affiliated with a health-related subsidiary corporation, full and true copies of any such corporation's bylaws, certificate of incorporation and any existing or proposed amendments thereto, all agreements between the applicant and any such controlling person or parent corporation relating to the manner and mechanisms by which any such controlling person or parent corporation controls or will control the applicant and/or all agreements by which the applicant is affiliated with any health-related subsidiary corporation, and a detailed description of such control or affiliation relationship;

(4) where an applicant corporation is formed pursuant to the requirements of section 3611 of the Public Health Law, documentation demonstrating the designation of an agent for service of process pursuant to section 305 of the Business Corporation Law or section 305 of the Not-for-Profit Corporation Law, as applicable; and

(5) such additional pertinent information or documents necessary for the council's consideration, as requested.

Section 765-1.3 is amended to read as follows:

765-1.3 Requirements for approval. (a) The application must be complete and in proper form. It shall provide all the information essential for the Public Health and Health Planning Council's consideration.

(b) The applicant must satisfactorily demonstrate to the council:

(1) that there is a public need for the licensed home health care service agency pursuant to the methodology outlined in Section 765-1.16 of this Title;

(2) that there are adequate finances and sources of future revenue to properly establish and operate the licensed home care service agency pursuant to the minimum requirements outlined in Section 765-1.2 of this Title;

[(1)] (3)(i) if a not-for-profit corporation, that the controlling persons and sponsors, if any, the members of the board of directors and the officers of the corporation are of such character, experience, competence and standing in the community as to give reasonable assurance of their ability to conduct the affairs of the corporation in the best interests of the agency and in the public interest, and to provide proper care for those to be served by the licensed home care service agency;

[(2)] (ii) if a proprietary business, that the owner, or all the partners of a partnership, are persons of such character, experience, competence and standing in the community as to give reasonable assurance of their ability to conduct the affairs of the business in the best interests of the agency and in the public interest, and to provide proper care for those to be served by the licensed home care service agency;

[(3)] (iii) if a business corporation, that the controlling persons and sponsors, if any, the members of the board of directors, the officers and the principal stockholders of the corporation or, in the case of an application solely for a change in the principal stockholder(s), that the proposed new

principal stockholder(s) of the corporation, are of such character, experience, competence and standing in the community as to give reasonable assurance of their ability to conduct the affairs of the corporation in the best interests of the agency and in the public interest, and to provide proper care for those to be served by the licensed home care service agency;

[(4)] (iv) with respect to any parent corporation or health-related subsidiary corporation, that the directors, sponsors, controlling persons and principal stockholders of any such corporation, insofar as applicable, are of such character, competence and standing in the community as to give reasonable assurance that, to the extent they have or will have the ability, through control or influence, to direct or cause the direction of the actions, management or policies of the applicant, such control or influence will be exercised in the best interests of the applicant and in the public interest, in order to ensure the provision of proper care for those to be served by the licensed home care service agency;

[(5)] (v) with respect to any application solely for the acquisition of control of an operator of a licensed home care service agency by a controlling person or a change of a controlling person, that such new controlling person, insofar as applicable, is of such character, competence and standing in the community as to give reasonable assurance that, to the extent it has or will have the ability to direct or cause the direction of the actions, management or policies of the applicant, such control or influence will be exercised in the best interests of the applicant and in the public interest, in order to ensure the provision of proper care for those to be served by the licensed home care service agency; or

[(6)] (vi) if a public or government agency, that the governing authority of the governmental subdivision applying to operate the agency has provided reasonable assurance of its ability to



conduct the affairs of the agency in the best interests of the agency and in the public interest, and to provide proper care for those to be served by the licensed home care service agency.

[(c)] (4) that the proposed operator has demonstrated satisfactory character and competence. In conducting a character and competence review, the Public Health and Health Planning Council shall, as applicable, evaluate any parent or health-related subsidiary corporation, the controlling persons, sponsors, members of the board of directors, the officers and principal stockholders, if any, of a corporate applicant, any sole proprietor, all partners in a partnership or, in the case of a governmental subdivision as the applicant, the governmental subdivision and the governing body thereof as a whole rather than the individual elected or appointed members thereof, by:

[(1)] (i) reviewing the findings of inspection reports, patient care reviews, complaint investigations and any other pertinent information relating to the operation of any health care, adult care or mental health facility, program or agency located in New York approved to operate by the Department of Health, [Department of Social Services] or the Department of Mental Hygiene or, if located outside New York, would require the approval to operate by any one of such agencies if located in New York, with which an individual, corporation, other organization or governmental subdivision has been affiliated as a director, sponsor, controlling person, principal stockholder, sole proprietor, partner or governmental operator;

[(2)] (ii) reviewing whether such individual, corporation, other organization or governmental subdivision exercised supervisory responsibility of the facility/agency operation to assure a consistent pattern of compliance with applicable standards and to prevent conditions which could result in harm to the health, safety or welfare of patients/residents; and

[(3)] (iii) determining that, if a violation of applicable standards did occur, the applicant investigated the circumstances surrounding the violation and took steps appropriate to the gravity

of the violation which a reasonably prudent operator would take to promptly correct and to prevent the reoccurrence of the violation. [; and]

[(4) considering such other pertinent matters relating to the character, competence and standing in the community of the applicant(s).]

(5) any other pertinent matters that the commissioner shall deem appropriate for inclusion in the application.

(d) The applicant must supply:

(1) any additional information requested by the department within 30 days of such request, or must obtain from the department an extension of the time in which to provide such information.

Any request for such extension of time shall set forth the reasons why such information could not be obtained within the prescribed time. The granting of such extension of time shall be at the discretion of the commissioner, provided such extensions are not for more than 30 days and the commissioner is satisfied as to the reasons why such information could not be obtained within the prescribed time. The commissioner is authorized to deny a request for an extension of time. Failure to provide such information within the time prescribed shall constitute an abandonment and withdrawal of the application by the applicant.

(2) any authorization the department requests in order to verify any information contained in the application or to obtain additional information which the department finds is pertinent to the application. Failure to provide such authorization shall constitute an abandonment and withdrawal of the application.

Section 765-1.4 is amended to read as follows:

765-1.4 Amendments to applications. (a) An application made to the Public Health and Health Planning Council pursuant to this Subpart may be amended while the matter is pending before the council. Such amendments shall be made on appropriate forms supplied by the department.

(b) Any amendment to an application which constitutes a substantial change in the information contained in the original application, or any prior amendments thereto, must be accompanied by a satisfactory written explanation as to the reason such information was not contained in the original application.

(c) Prior to the issuance of a license, any change as set forth in this subdivision shall constitute an amendment to the application and the applicant shall submit appropriate documentation as may be required in support of such amendment. The amended application shall be referred to the [health systems agency having geographic jurisdiction and the State Hospital Review and] Public Health and Health Planning Council for [their] its comments. The approval of the Public Health and Health Planning Council must be obtained for any amended application. Each of the following shall constitute an amendment:

(1) any change in the types of licensed services to be provided; [and/or]

(2) any significant change in the principals of the applicant as considered by the council[.];

(3) any significant change in the proposed patient capacity;

(4) any change in the agency's proposed service area; and/or

(5) any significant change to the agency's proposed annual operating budget.

(d) Failure to disclose an amendment prior to the issuance of a license shall constitute sufficient grounds for the revocation, limitation or annulment of the approval.

A new Section 765-1.16 is added to Subpart 765-1 of Part 765 of 10 NYCRR to read as follows:

765-1.16. Determinations of public need. (a) The process of determining need in this section will be used in the evaluation of certificate of need applications requiring a review of the public need by the Public Health and Health Planning Council.

(b) Planning areas. (1) The commissioner shall designate each county as a separate planning area.

(c) Determination of need.

(1) There shall be a presumption of no need for additional licensed home care service agencies in a planning area if there are 5 or more Licensed Home Care Service Agencies (LHCSA) actively serving patients within the planning area as of April 1, 2020. Beginning in 2021, the commissioner shall have the authority to adjust the target date for determining need for additional LHCSAs in a planning area, in subsequent years.

(2) Applications for licensure based on change of ownership for Licensed Home Care Service Agencies actively serving at least 25 patients will not be subject to public need review and shall be evaluated only on financial feasibility and the character and competence of the proposed operator unless the proposed operator seeks to serve patients outside of the approved planning area.

(3) The determination of need for licensed home care service agencies in accordance with this subdivision does not include Assisted Living Program (ALP) or Program of All-Inclusive Care for the Elderly (PACE) affiliated licensed home care services agencies. ALP or PACE -affiliated agencies are not subject to the public need review unless the agency seeks to serve patients outside the ALP program or who are not PACE members. For the purpose of this regulation affiliated shall mean common ownership.

(4) The department shall review the adequacy of the need methodology set forth under paragraph (1) of this subdivision and issue a report to the commissioner and the Public Health and Planning Council no later than 6 years from adoption.

(d) Notwithstanding any other provision of this section, factors to be considered when determining need for licensed home care service agencies shall include, but are not limited to:

(1) the demographics and/or health status of the residents in the planning area or the state, as applicable;

(2) documented evidence of the unduplicated number of patients on waiting lists who are appropriate for and desire admission to a licensed home care service agency but who experience a long waiting time for placement and who cannot be served adequately in other settings;

(3) the number and capacity of currently operating licensed home care services agencies;

(4) the quality of services provided by existing agencies;

(5) the availability and accessibility of the workforce;

(6) personnel and resources dedicated to adding and training additional members of the workforce including committed resources in an organized training program;

(7) cultural competency of existing agencies; and

(8) subpopulations requiring specialty services.

When making recommendations to the Public Health and Health Planning Council concerning the impact of the factors set forth above, the department shall, to the extent practicable, indicate the relative priority of such factors.

(e) In addition to meeting the other applicable provisions of this section, an applicant for initial certification shall be approved as meeting public need only if the applicant agrees to serve population groups in the planning area that have difficulty gaining access to appropriate licensed

home care service agency care due to minority status, age, medical history, case complexity, or payment source.

(f) Any application wherein a determination of public need is made pursuant to this section shall be subject to the following: (1) The Public Health and Health Planning Council and/or the commissioner, as appropriate, may, during the processing of an application, propose to disapprove the application solely on the basis of a determination of public need in advance of the consideration of the other review criteria required by article 36 of the Public Health Law without, however, waiving the right to consider such other criteria at a later date.

(2) In the event the Public Health and Health Planning Council and/or the commissioner proposes to disapprove an application on the basis of a lack of public need and the applicant requests a hearing according to the provisions provided in Section 765-1.9 of this Title, the Public Health and Health Planning Council and/or the commissioner, as appropriate, may direct the completion of the other reviews required by Article 36 of the Public Health Law. The application shall then be returned to the Public Health and Health Planning Council and/or the commissioner as appropriate, to consider such reviews, the results of which may then be included as grounds for the proposed disapproval to be considered at the hearing. If the Public Health and Health Planning Council and/or the commissioner, as appropriate, directs the completion of such reviews, a copy of the report containing the results of the reviews shall be mailed to the applicant at least 60 days prior to the date set for hearing.

(3) In the processing of an establishment application, the commissioner may recommend disapproval based on a review limited to a determination of public need. In the event the Public Health and Health Planning Council does not concur with the commissioner's recommendation of disapproval, it shall return the application to the department at which time all other required

reviews shall be completed. When all other reviews are completed, the application shall be returned to the Public Health and Health Planning Council for action.

## **REGULATORY IMPACT STATEMENT**

### **Statutory Authority:**

Public Health Law (PHL) § 3612 authorizes the Public Health and Health Planning Council (PHHPC) to adopt and amend rules and regulations to effectuate the provisions and purposes of PHL Article 36 with respect to licensed home care service agencies (LHCSAs). Additionally, Section 9-b, Part B of Chapter 57 of the Laws of 2018 (codified at Public Health Law § 3605[4]) requires PHHPC to consider the public need for new LHCSAs as well as the financial resources and revenues of the proposed LHCSA when PHHPC reviews initial licensure and change of ownership applications.

### **Legislative Objectives:**

PHL Article 36 was intended to promote the quality of home care services provided to residents of New York State and to assure adequate availability as a viable alternative to institutional care.

### **Needs and Benefits:**

The proposed regulation is necessary to implement statutory changes required under Section 9-b, Part B of Chapter 57 of the Laws of 2018. The proposal will revise Part 765 of Title 10 NYCRR to include the relevant statutory requirements related to the new public need determination for licensed home care services agencies, the review of the proposed agency's financial feasibility, and the process for reviewing applications for licensure.



Part 765 of Title 10 of the NYCRR regulates the approval and licensure of home care services agencies. Sections 765-1.2 and 765-1.3 outline what is required to be included in applications for licensure as a home care services agency and the information that an applicant for licensure must supply to PHHPC for approval. Section 765-1.4 includes what types of changes to a pending application for licensure constitute an amendment and what an applicant must submit to PHHPC for the amendment to be considered.

These current regulations were developed to govern the approval of licensure applications for home care services agencies when PHHPC was only required to conduct a character and competence review of applicants and was prohibited from considering the public need for these agencies under Public Health Law. To comply with changes made to the Public Health Law under Section 9-b, Part B of Chapter 57 of the Laws of 2018, the regulations must be updated to include the new requirement of public need review and financial feasibility review.

With the existing regulatory prohibition on public need consideration for new agencies, the Department of Health (Department) and PHHPC have been unable to limit the growth of unnecessary agencies. Currently, there are approximately 1,100 approved licensed home care operators with over 1,300 licensed, registered sites statewide. An average of 40 new LHCSA sites have been approved on an annual basis over the past ten years. There is no consideration of the need for additional services based on the public demand. Applications for licensure are submitted to the Department and are subject to approval by PHHPC. As part of the application process, applications are reviewed to ensure the character, competence, and standing in the community of the applicant's incorporators, directors, sponsors, stockholders, or operators.

Applications must be submitted for initial licensure, purchase or mergers, change of stock ownership, or other acquisition or control change.

Given the new statutory mandate, new regulations are required to define the public need methodology and the process that will be used to apply the methodology to new licensure applications. The public need methodology will also assist the Department in planning for the appropriate number of licensed agencies and may also inform policy and practice around the types of services needed, underserved populations that require additional focus, and other factors that contribute to the long term care landscape, such as workforce issues or transportation infrastructure.

**Costs:**

**Costs for the Implementation of, and Continuing Compliance with the Regulation to the Regulated Entity:**

The rule does not impose any new implementation or compliance costs on regulated parties.

**Costs to the State and Local Governments:**

The proposed changes are not expected to impose any costs upon New York State or local governments.

**Costs to the Department of Health:**

Additional work by Department staff to determine public need and to process applications with the new requirements will be managed with existing resources.

**Local Government Mandates:**

The proposed regulations do not impose any new mandates on local governments.

**Paperwork:**

Consistent with the statutory provisions, the proposed regulations will require a new application form to be completed by home care services agencies seeking initial licensure or change of ownership on or after April 1, 2020. New documentation will be required as part of the application process that was not included in the application for licensure prior to April 1, 2020.

**Duplication:**

There are no relevant rules or other legal requirements of the Federal or State governments that duplicate, overlap, or conflict with this rule.

**Alternatives:**

There are no viable alternatives to this proposal. The regulatory changes are necessary to implement a statutory mandate, which directs PHHPC to include public need and financial feasibility in the review process for initial applications for licensure of home care services agencies.

One alternative considered including the development of a county normative use rate using the number of cases and visits/hours for LHCSA services for each agency in a planning area as reported on the LHCSA Statistical Report. This alternative may account for variation in the amount of services used per patient, however, and it is a more complex methodology that may

lead to greater error in ongoing need methodology calculations. As such, this option was rejected as unviable.

A second alternative considered establishing estimates of need based on demographics. Under this proposal, the Department would undertake a review of the total number of residents in each planning area with a reported disability resulting in a limitation in completing activities of daily living. The information could be broken down by age group and projected to accommodate the expected growth in the older adult population. This method to determine use rates may better reflect the number of residents in need of care, rather than using the patient count. However, reporting on disease and disability status and limitations in functional abilities has proven difficult, as various definitions of disability exist with multiple reporting methods. Therefore, this alternative was also rejected.

**Federal Standards:**

The proposed regulations do not duplicate or conflict with any federal regulations.

**Compliance Schedule:**

The amendments will take effect on April 1, 2020.

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**STATEMENT IN LIEU OF  
REGULATORY FLEXIBILITY ANALYSIS**

No regulatory flexibility analysis is required pursuant to section 202-(b)(3)(a) of the State Administrative Procedure Act. The proposed amendment does not impose an adverse economic impact on small businesses or local governments, and it does not impose reporting, record keeping or other compliance requirements on small businesses or local governments.

**STATEMENT IN LIEU OF  
RURAL AREA FLEXIBILITY ANALYSIS**

A Rural Area Flexibility Analysis for these amendments is not being submitted because amendments will not impose any adverse impact or significant reporting, record keeping or other compliance requirements on public or private entities in rural areas. There are no professional services, capital, or other compliance costs imposed on public or private entities in rural areas as a result of the proposed amendments.

**STATEMENT IN LIEU OF  
JOB IMPACT STATEMENT**

A Job Impact Statement for these amendments is not being submitted because it is apparent from the nature and purposes of the amendments that they will not have a substantial adverse impact on jobs and/or employment opportunities.